

**Statement of**

**Michael C. Hughes**

**President and General Manager  
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**before the**

**Subcommittee on Oversight and Investigations  
Committee on Energy and Commerce  
United States House of Representatives**

**Field Hearing on**

**A Review of DOE Paducah Site Operations**

**January 19, 2006**

## SUMMARY

Bechtel Jacobs Company LLC (BJC) is the Department of Energy's (DOE) Remediation contractor at the Paducah Gaseous Diffusion Plant in Paducah, Kentucky. Our primary mission is to effectively execute DOE's environmental cleanup program at the site. We assumed responsibility for the Paducah work on April 1, 1998. The Infrastructure and Cylinder Management scopes of work were transitioned to other DOE prime contractors in June 2005, and we are scheduled to transition the remaining Remediation scope to another DOE prime contractor prior to our current contract expiration date of April 23, 2006. Under a separate arrangement with DOE, BJC will continue pension and benefit administration for eligible covered employees of the new DOE prime contractors.

Safety of our workforce and the public is always our first priority. In September, we completed three million hours of work without a lost-time accident. We have had notable environmental remediation successes during the past year in the cleanup of groundwater and surface water contamination, removal of scrap metal, decontamination and decommissioning of inactive facilities, and treatment and disposal of contaminated waste. We are proud of our safety record and accomplishments.

We commend Paducah's elected officials, business leaders, and civic organizations for their support to the environmental cleanup program. Let me also thank you, Representative Whitfield, and the fellow members of the Kentucky delegation, particularly Senators Bunning and McConnell, for your continued support for the funding of this extremely important work.

## **INTRODUCTION**

Good morning. I am Mike Hughes, President and General Manager of Bechtel Jacobs Company LLC (BJC), the Department of Energy's (DOE) environmental management contractor for Oak Ridge, Tennessee; Paducah, Kentucky; and formerly at Portsmouth, Ohio. Our primary mission is to effectively execute DOE's environmental cleanup program at the site and support an effective workforce transition program. We assumed responsibility for the Paducah work on April 1, 1998. The Infrastructure and Cylinder Management scopes of work were transitioned to other DOE prime contractors in June 2005, and we are scheduled to transition the remaining Remediation scope to another DOE prime contractor prior to our current contract expiration date of April 23, 2006. Under a separate arrangement with DOE, BJC will continue pension and benefit administration for eligible covered employees of the new DOE prime contractors.

## **ENVIRONMENTAL MANAGEMENT**

BJC has achieved notable successes in environmental management on the Paducah Project. We have made significant progress in legacy waste disposition, decontamination and decommissioning (D&D), scrap metal removal, and the characterization and disposition of materials in storage sites across the plant. We have advanced the groundwater program and completed several studies needed for future cleanup decisions.

By the anticipated end of our contract at the Paducah Gaseous Diffusion Plant, we will have completed disposal of more than half of the legacy waste inventory at the Paducah site. Since the start of Fiscal Year 2005, we have disposed of more than 72,000

cubic feet of legacy waste. This included a special effort to examine and dispose of nearly three million pounds of uranium tetrafluoride two years ahead of schedule, and we accelerated disposition of legacy wastes that have been stored outdoors for many years.

Our scrap metal removal project has disposed of approximately 5,000 tons of scrap metal over the last year. We have disposed of more than 12,000 tons of scrap metal to date, and a recent restructuring of our principal subcontract for scrap metal disposition is allowing us to increase the pace of disposal, while reducing shipping vulnerabilities. A special effort to dispose of more than 250 tons of metal turnings in 2005 was highly successful.

Under DOE's 2003 Agreed Order with the Commonwealth of Kentucky, we have completed characterization of 75 percent of the estimated 855,000 cubic feet of material in 160 DOE Material Storage Areas (DMSAs) located throughout the Paducah Gaseous Diffusion Plant site. In October 2005, we emptied the last of 17 outdoor DMSAs and have now turned our focus to the indoor locations. Some of the areas have been returned to DOE or USEC use, and we have 20 formal Resource Conservation and Recovery Act Closure Plans where the work has been completed and we are awaiting regulatory review and approval.

We have accelerated the D&D of several inactive Paducah facilities and completed the removal of the Nitrogen Generating Facility in October 2005, five years ahead of schedule. Essential evaluations and cost analyses have been completed for the D&D of three other inactive facilities, and we continue to make progress in the D&D of the 250,000 square foot Feed Plant complex.

The August 9, 2005, signing of the Record of Decision on the C-400 Groundwater Action has allowed us to proceed with the planning document for the remediation of the major groundwater contamination source at the site. Direct Heating Technology, shown to remove 98 percent of the volatile organic contamination in the target area during our earlier Six-Phase Heating Treatability Study, can now be applied with confidence to the dominant source of risk at the site. In the interim, we have continued to treat the most contaminated portions of the groundwater plumes, bringing the total volume of groundwater treated to 1.8 billion gallons. We have also continued to protect residents north of the plant through administration of DOE's Water Policy Box lease agreements.

These and other environmental efforts – including extensive ongoing environmental monitoring, completion of the Final Remedial Action Report on the North-South Diversion Ditch, and key studies of the Southwest groundwater plume, the former S and T Landfills, and site-wide surface water – have reduced risk to the public and site workers from actual and potential environmental contamination. As we close out our work with DOE at the Paducah plant, we can transition DOE's environmental management work to the incoming contractor with strong momentum and on sound footing.

## **CONTRACT TRANSITION**

DOE divided the Management and Integration contracts at Paducah and Portsmouth into distinct work scope elements at each site. These work scope elements are Infrastructure, Cylinder Management, and Remediation at both sites, and Citizens Advisory Board support at Paducah. Only one work scope element, Remediation at

Paducah, remains to be transitioned to a new contractor. BJC is committed to fully supporting the DOE's transition of the remaining remediation work scope.

During the past year, our company has completed the safe, efficient, and effective transition of the Cylinder Management program and the Infrastructure scope of work at Paducah. The success of our transition program can be attributed to a three-tiered management approach that includes: focused senior management leadership, a subject matter expert transition team, and a proven project management approach.

The General Manager of the Paducah Project has overall responsibility, the Operations Manager ensures that ongoing activities continue unimpeded during transition, and the Transition Manager is responsible for the specific transition activities. The focused management team has delivered very successful transitions to date and will do so for the remaining work scope.

We have identified 40 distinct work scope areas for remediation that have subject matter expert leads in Paducah supported by Oak Ridge counterparts. This arrangement allows us to utilize the company's full expertise to assist the Remediation contractor in identifying, coordinating, and closing out key activities and issues of concern. Through our project management approach, a comprehensive schedule containing 400 action items was developed and tracked to completion during the Infrastructure transition. The current Remediation transition project schedule also contains approximately 400 action items, more than 100 of which have already been completed.

## **ADMINISTRATION OF BENEFITS**

BJC will continue to provide services for benefit and pension administration of the Multiple Employer Pension Plan (MEPP) and the Multiple Employer Welfare Agreement (MEWA) for the eligible covered employees of four DOE prime contractors for Remediation and Infrastructure at Paducah and Portsmouth. On April 25, 2005, DOE directed execution of service agreements with the Infrastructure and Remediation contractors. BJC serves as the plan administrator and executes the plan as set forth by DOE in our contract.

BJC has been successful in providing benefits administration and support for transitioned workforces over the past eight years. Beginning with the transition of Lockheed Martin incumbent employees to BJC and its first- and second-tier subcontractors, BJC has provided benefits administration and support from our Oak Ridge office. Presently this includes benefits administration for 2,124 eligible active employees of BJC, our 27 workforce transition subcontractors, and the Remediation and Infrastructure contractors/subcontractors in Paducah and Portsmouth. BJC Benefits Administration also provides benefit administration for approximately 400 retirees.

On June 27, 2005, BJC was successful in the transition of 135 Remediation and Infrastructure covered employees in Portsmouth and Paducah. This included coordination with the three prime contractors and seven subcontractors. During this transition none of the covered employees incurred any suspension or loss of benefits.

To ensure a smooth transition for the Paducah Remediation eligible covered employees, BJC Benefits Administration is working with the BJC Transition Manager and Remediation contractor/subcontractors to:

- identify the responsible members of the Paducah Remediation contractor and its subcontractors,
- provide training, facilitated by BJC Benefits Administration, to familiarize the Paducah Remediation contractor with the MEPP and MEWA,
- conduct formal presentations, made by the Plan Administrator and the Benefits Manager, on the Paducah Remediation contractor's participation on the Benefits and Investment Committee to help them understand their fiduciary responsibilities,
- work closely with the Paducah Remediation contractor/subcontractors on the actual employee eligibility and administration (e.g., enrollments for the various benefits providers), and
- continue to provide quality benefit administration for the Paducah Remediation eligible covered employees.

The new Remediation contractor and subcontractors will sign a *Benefits Accounting and Administration Services Agreement* and an *Adoption Agreement* to allow continued participation for eligible transitioned employees. BJC will ensure a successful transition and continued benefits administration for the Paducah Remediation contractor's eligible covered employees.



## **CLOSING**

Significant progress has been made in the environmental cleanup of the Paducah Gaseous Diffusion Plant during the tenure of BJC. We are proud of our safety record and accomplishments. We are committed to continue our high level of professional support to our employees, retirees, the community, DOE, and the new contractor during this final phase of transition, and we will continue to take seriously the responsibility to administer the pension and benefits beyond transition.

We commend Paducah's elected officials, business leaders, and civic organizations for their support to the environmental cleanup program. Let me also thank you, Representative Whitfield, and the fellow members of the Kentucky delegation, particularly Senators Bunning and McConnell, for your continued support for the funding of this extremely important work.

Thank you.

